



Before the House Energy and Natural Resources Subcommittee on Energy Generation
Interested Party Testimony on House Bill 6
April 24, 2019

Chair Stein, Chair O'Brien and members of the House Energy and Natural Resources Subcommittee on Generation, my name is Zachary Frymier and I am the Director of Energy and Environmental Policy for the Ohio Chamber of Commerce. Thank you for allowing me the opportunity to offer interested party testimony on House Bill (HB 6).

The Ohio Chamber is the state's leading business advocate and we represent nearly 8,000 companies that do business in Ohio. Our mission is to aggressively champion free enterprise, economic competitiveness and growth for the benefit of all Ohioans.

The Ohio Chamber first testified in support of reforms to the state's energy efficiency mandates on November 13, 2013. In the intervening five and a half years, the Ohio Chamber has consistently asked successive General Assemblies to act to reform Ohio's expensive energy efficiency mandates. Our members continue to express serious concerns about the monthly charges Ohio businesses pay to fund energy efficiency programs. These charges will, after next year, start increasing more rapidly year over year without legislative action.

Our push for reforms to the program has included several pieces. First, we have supported expanding the option of opting-out from the energy efficiency mandates to mercantile customers. This opt-out has already been made available to energy-intensive customers to reflect their historical commitment to investing in energy efficiency absent any requirement to do so.

Expanding this to mercantile customers has always earned the strong support of the Ohio Chamber because our members face constant competitive pressure to reduce their energy usage and become more energy efficient. The mandates in current law not only force companies to pay into a pool of money and then ask for rebates of their dollars back to put towards efficiency projects, less the inevitable administrative costs, but it also effectively subsidizes the efficiency upgrades of their competitors.

Second, we have urged the General Assembly to ensure that all practices that reduce energy consumption count towards compliance with the mandates. Allowing the utilities to count action that directly reduces electricity usage, such as transmission and distribution improvements, as well as other consumer reductions, creates flexibility and ensures that no measure toward saving energy goes uncounted.

Finally, the Ohio Chamber has urged the General Assembly to recognize that, after 2020, the utilities' required savings increase from 1 percent yearly to 2 percent yearly. Future actions will become more expensive and complex given that upgrades in lighting have been undertaken widely and improvements must now be made elsewhere. Reducing the slope of the increase in the energy efficiency mandates earned our support in a version of House Bill 114 during the last General Assembly.

The legislation before you, HB 6, looks nothing like the mandate reforms we have advocated for. However, this bill would nonetheless address the concerns our members have with the costs of the energy efficiency program. It is our understanding that a majority of our members will likely see reductions in their electric bill if HB 6 is enacted, even if many of them cannot support HB 6's broader goals.

Subsidies, if strictly necessary, should ideally be market-driven to keep costs low and not stifle private sector investment. However, the Ohio Chamber recognizes and supports a key component of this bill that is lacking in other states that have enacted similar proposals: caps on the costs that customers pay. These caps are written into the law and bring stability and predictability to businesses who must be sensitive to not only energy prices in Ohio but globally. The key feature of the cap, that the customer charges cannot increase except to reflect inflation, are critical to HB 6's potential to lower electric bills in the state.

With that said, through our energy and environment committee, our members have identified several areas of the bill that could potentially be improved.

Charges created in HB 6 to fund the Ohio Clean Air Program are currently crafted to apply to each account. This construct deserves a second look as businesses routinely have multiple accounts at a single location. A commercial customer that is contemplated to receive a \$20 monthly charge on their bill could see that figure multiplied several times, potentially increasing the cost burden and upending the calculus that this bill delivers lower rates. This caution also applies to the historical costs of the energy efficiency and renewable portfolio standards the utilities are authorized to recover under the bill.

The Ohio Chamber has a long history of supporting regulatory reform. Ensuring that regulatory agencies such as the Ohio Air Quality Development Authority (Authority) comply with legislative intent is crucial. To that point, our members have expressed concern with the vague rulemaking authority this bill would grant the Authority. Allowing the Public Utilities Commission of Ohio (PUCO) to write its own rules led to confusion in what activities comply with the energy efficiency program. We urge greater specificity in the legislation, rather than a future rulemaking, as to who qualifies for both clean air credits and potential investment as a reduced emissions resource in order to provide assurances to businesses looking to invest in Ohio.

We also feel that a sunset date should be contemplated for this entire program to avoid the situation we currently find ourselves in: charges on the electric bills of Ohioans that no longer reflect the state's current needs but cannot be changed without further legislative action.

HB 6 also creates a reporting requirement for the PUCO if the Federal Energy Regulatory Commission (FERC) authorizes Ohio to satisfy capacity obligations within the state. There is currently great uncertainty in PJM's capacity market as well as gridlock at FERC, but action is inevitable. This reporting requirement should be amended to require the PUCO to report on *any* significant developments in wholesale markets that change the circumstances this bill is meant to address.

Finally, the bill's provisions on E-Check deserve some comment. The Ohio Chamber has long supported E-Check as a cost-effective tool to comply with federal air quality standards. Ohio is currently working towards meeting ozone standards that were tightened in 2015. E-Check plays a large role in that effort. We believe the language as written could require the Ohio Environmental Protection Agency to undergo extensive modeling to study the impact of the Ohio Clean Air Program on Ohio's air quality. While we all share the goal of reducing the burden of complying with federal air quality standards, this use of agency resources is ultimately reflected in the fees the agency charges to businesses as a condition of permitting.

Thank you, co-chairs, for the opportunity to discuss the Ohio Chamber's perspective on HB 6. HB 6 allows businesses to invest their own dollars in energy efficiency, an approach consistent with the Ohio Chamber's support for free enterprise. We appreciate this bill's proposal to finally take action on providing needed relief from the escalation costs of Ohio's energy efficiency mandates after years of debate. We look forward to continuing to provide our interested party comments as the bill moves forward.